



FHA PowerSaver

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FHA HOME ENERGY IMPROVEMENT LOAN PILOT PROGRAM

JANUARY 23, 2014

HOME ENERGY IMPROVEMENTS

The need for affordable financing

- Helping homeowners make money-saving home energy improvements is a top priority of the Administration.
- Home energy improvements can save families hundreds of dollars a year -- while creating jobs and reducing pollution.
- More home owners want to make home energy improvements, according to industry forecasts.
- But a lack of affordable, available financing remains a major barrier for many consumers.
- A market need exists for a financing option.

KEY FEATURES OF POWERSAVER

- Congress appropriated of \$25M to FHA's Single Family to catalyze innovations in the residential energy efficiency sector.
- FHA provides mortgage insurance to protect lenders in event of loan default.
- Grant incentives for lenders to participate and lower costs for consumers.
- **Two FHA PowerSaver programs:**
 - 1) Title I PowerSaver
 - FHA insures roughly up to 90% of a Title I loan.
 - 2) Title II PowerSaver 203(k)
 - FHA insures roughly up to 100% of Title II loan

TITLE I POWERSAVER HIGHLIGHTS

- **Loans amounts up to \$25,000 (< \$7,500 unsecured)**
- **Primarily a second trust loan program, but**
 - Can be in first position
 - Can be in third position only when the second trust was made for the home's purchase. There are other exceptions.
- **Use of loan funds:**
 - Minimum 75% of loan proceeds must be used for energy-saving improvements.
 - Maximum 25% of loan proceeds can be used for most other improvements.
- **Appraisal is not required**
 - Lenders may choose to require an appraisal according to their investor or risk requirements.

TITLE II POWERSAVER 203(K) HIGHLIGHTS

- 203(k) – refers to the section of the National Housing Act that authorizes FHA to insure loans for rehabilitating housing stock.
- Under 203(k), borrowers can get an FHA mortgage for:
 - ✓ the purchase or refinance of a home, plus
 - ✓ costs to rehab or improve the home.
- First trust lien position only
- Loan becomes a “PowerSaver” loan when (1) at least \$3,500 of the home improvement project is expended on specified energy saving improvements or (2) include a whole house energy retrofit by a certified home energy performance contractor (see the NOFA for the Energy Innovation Fund – PowerSaver Pilot 203(k) program)

ELIGIBLE USES OF GRANT FUNDS INCLUDE

Borrower

- Energy audit, if borrower desires
 - Audit is not required
 - Auditor must be accredited for HERS or BPI
 - Auditor can be the contractor
- Loan origination fee
- Property appraisal if lender requires

Lender

- Program marketing expenses

TITLE I POWERSAVER ATTRIBUTES

Attribute	Eligible
Loan Amount Maximum	•\$25,000 (unsecured > \$7,500)
Loan Term	•15-years (standard energy improvements) •20-years (renewable energy improvements)
Combined-Loan-to-Value	•Not Required (Some lenders may still require)
Appraisal Type	•Not Required (Some lenders may still require)
Property Types	•Single Family detached •Attached dwellings •Condominiums <u>Ineligible:</u> •Co-operatives •Manufactured Homes
Number of Units	•One

TITLE I POWERSAVER ATTRIBUTES

Attribute	Eligible
Occupancy	<ul style="list-style-type: none">•Owner-occupied <u>Ineligible</u> <ul style="list-style-type: none">•Second Homes•Non-Owner-Occupied
Borrower Ownership	<ul style="list-style-type: none">• 50 % interest in property minimum
Decision Credit Score	<ul style="list-style-type: none">•660 minimum
Debt-to-Income Ratio	<ul style="list-style-type: none">•45% maximum (compensating factors allowed to offset)
Use of Proceeds	<ul style="list-style-type: none">•Measures that improve home's energy performance (min 75% of loan proceeds)• Other Home Improvements (25% of proceeds)
Disbursement of Proceeds	<ul style="list-style-type: none">•50% maximum at closing•50% upon completion of the work
Discount Points	<ul style="list-style-type: none">•Third parties may pay and•Must be bona fide

TITLE II POWERSAVER 203(K) ATTRIBUTES

Attribute	Eligible
Property types	<ul style="list-style-type: none">▪ 1-4 family dwelling▪ Condominiums (1-unit only)▪ Manufactured homes built after 6/15/1976▪ Mixed use business = square foot limits for business apply. an 25%, floor,▪ Properties must have been completed for at least a period of 1 year.
Standard (k)	<ul style="list-style-type: none">▪ Major Improvements▪ Lender must use HUD 203(k) consultant▪ Minimum repair - \$5,000
Streamline (k)	<ul style="list-style-type: none">▪ Minor Improvements▪ Maximum improvement project - \$35,000▪ HUD 203(k) consultant is not required▪ Improvements may not be structural

FHA POWERSAVER – ELIGIBLE IMPROVEMENTS

Improvement	Standards
Whole House	Whole house air sealing measures, including interior and exterior measures, utilizing sealants, caulks, insulating foams, gaskets, weather-stripping, mastics, and other building materials in accordance with BPI standards or other procedures approved by the Secretary. (Reference: http://www.bpi.org/standards.aspx)
Insulation: Attic	<p>Attic insulation measures that--</p> <p>(A) include sealing of air leakage between the attic and the conditioned space, in accordance with BPI standards or the attic portions of the DOE or EPA thermal bypass checklist or other procedures approved by the Secretary;</p> <p>(B) add at least R-19 insulation to existing insulation;</p> <p>(C) result in at least R-38 insulation in DOE climate zones 1 through 4 and at least R-49 insulation in DOE climate zones 5 through 8, including existing insulation, within the limits of structural capacity, except that a State, with the approval of the Secretary, may designate climate zone subregions as a function of varying elevation; and</p> <p>Map Page: http://www.energystar.gov/index.cfm?c=home_sealing.hm_improvement_insulation_table</p> <p>(D) cover at least--</p> <p>(i) 100 percent of an accessible attic; or</p> <p>(ii) 75 percent of the total conditioned footprint of the house.</p> <p>(BPI Standards reference: http://www.bpi.org/standards.aspx)</p>
Insulation: Wall	<p>Wall insulation that--</p> <p>(A) is installed in accordance with BPI standards or other procedures approved by the Secretary;</p> <p>(B) is to full-stud thickness or adds at least R-10 of continuous insulation; and</p> <p>(C) covers at least 75 percent of the total external wall area of the home.</p> <p>(BPI Reference: http://www.bpi.org/standards.aspx)</p>
Insulation: Crawl Space	<p>Crawl space insulation or basement wall and rim joist insulation that is installed in accordance with BPI standards or other procedures approved by the Secretary and--</p> <p>(A) covers at least 500 square feet of crawl space or basement wall and adds at least--</p> <p>(i) R-19 of cavity insulation or R-15 of continuous insulation to existing crawl space insulation; or</p> <p>(ii) R-13 of cavity insulation or R-10 of continuous insulation to basement walls; and</p> <p>(B) fully covers the rim joist with at least R-10 of new continuous or R-13 of cavity insulation.</p> <p>(BPI Reference: http://www.bpi.org/standards.aspx)</p>
Duct Sealing	<p>Duct sealing or replacement and sealing that--</p> <p>(A) is installed in accordance with BPI standards or other procedures approved by the Secretary; and</p> <p>(B) in the case of duct replacement and sealing, replaces and seals at least 50 percent of a distribution system of the home.</p> <p>(BPI Reference: http://www.bpi.org/standards.aspx)</p>

FHA POWERSAVER – ELIGIBLE IMPROVEMENTS

Improvement	Standards
Skylight Replacement	Door or skylight replacement that meets most recent Energy Star specifications
Door Replacement	Door or skylight replacement that meets most recent Energy Star specifications
Window Replacement	Replacement windows that meet: most recent Energy Star specifications
Storm Doors or Storm Windows	Storm doors – all storm doors Storm windows: that meet the requirements for low-e for storm doors under Department of Energy’s Windows Volume Purchase Program.
Heating System Gas/Propane/Oil Boiler / Furnace	Heating system replacement that meets most recent Energy Star specifications.
Air Conditioner	Central air conditioner or air-source heat pump replacement with a new unit that meets most recent Energy Star specifications.
Geothermal	Heating or cooling system replacement with an Energy Star qualified geothermal heat pump that meets Tier 2 efficiency requirements and that is installed in accordance with ANSI/ACCA Standard 5 QI-2007.
Water Heater (gas, propane, electric, tankless)	Replacement of a natural gas, propane, or electric water heater that meets most recent Energy Star specifications.
Water Heater (solar)	Solar water heating property must be Energy Star Qualified, or certified by the Solar Rating and Certification Corporation or by comparable entity endorsed by the state in which the system is installed.
Fuel Cells and Microturbine Systems	Efficiency of at least 30% and must have a capacity of at least 0.5 kW.
Solar Panels (Photovoltaic Systems)	Photovoltaic systems must provide electricity for the residence, and must meet applicable fire and electrical code requirement.
Wind Turbine Residential	A wind turbine must (i) have a nameplate capacity of no more than 100 kilowatts; (ii) have performance and safety certification a. to the International Electrotechnical Commission (IEC) standards from an accredited product certification body, or b. the American Wind Energy Association (AWEA) standards from the Small Wind Certification Council (SWCC) or a Nationally Recognized Testing Laboratory (NRTL); and (iii) be installed by an installer with North American Board of Certified Energy Practitioners Small Wind Installer Certification or small wind turbine installation training from an accredited training organization.
Roofs Metal & Asphalt	Metal or asphalt roofs that meet most recent Energy Star specifications

RESOURCES

➤ Title I PowerSaver

http://www.hud.gov/offices/hsg/sfh/title/ti_home.cfm

➤ Title II PowerSaver – 203(k)

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/203kmenu